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FISCAL IMPACT STATEMENT

LS 7877 | **NOTE PREPARED:** Feb 22, 2005
BILL NUMBER: HB 1534 | **BILL AMENDED:** Feb 21, 2005

SUBJECT: Regional Venture Capital Funds.

FIRST AUTHOR: Rep. Torr | **BILL STATUS:** 2nd Reading - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State & Local
DEDICATED
FEDERAL

Summary of Legislation: (Amended) The bill authorizes counties, cities, and towns that receive County Economic Development Income Taxes (CEDIT) to establish regional venture capital funds by pooling taxes payable to the participating units. The bill provides that a regional venture capital fund shall be administered by a governing board. The bill requires each unit participating in the regional venture capital fund to be represented on the governing board. The bill requires the governing board to have members from different political parties. The bill authorizes the governing board to make grants or loans from the fund to public or private entities for economic development purposes.

Effective Date: July 1, 2005.

Explanation of State Expenditures: Under the bill, any regional venture capital fund (RVCF) established by a county would be subject to an annual audit by the State Board of Accounts (SBA). The audit of an RVCF could likely occur at the time the SBA audits other funds of the county. SBA personnel would likely see an increase in administrative time to complete the audit of any new RVCF established under the bill.

Additionally, any agreement reached between multiple units to establish an RVCF and a governing board would have to be submitted to the Indiana Economic Development Corporation (IEDC) for approval before contributions to the RVCF could begin. The provision would likely increase the administrative time of the IEDC to approve RVCF multiple unit agreements.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) Under the bill, counties or municipalities with CEDIT revenue would have the option to use amounts of their CEDIT revenue for regional venture capital projects. The county auditor would be required to establish a regional venture capital fund (RVCF) to retain CEDIT revenue distributed to local taxing units in the county. In addition, an RVCF may receive proceeds of either public or private grants.

RVCFs would be administered by a governing board of an unspecified number of individuals. A participating unit in an interlocal agreement must have at least one member on the governing board. Expenses to operate the RVCF would be paid from money in the RVCF.

Explanation of Local Revenues: *Summary:* The impact of this provision to local CEDIT revenue would depend on local action. Under the bill, two or more counties or municipalities would have the option to authorize CEDIT revenue to be placed in the RVCF to generate economic development, technology development, and industrial/commercial growth. Counties and municipalities that were to pool into an RVCF would have less of their CEDIT revenue available for other uses allowed under current law. Money in the RVCF would be allowed to be loaned or granted to either a private or public entity. Money granted or loaned would have to be expended under the following options:

(1) Research and development technology.
(2) Job training and education.
(3) Acquisition of property interests.
(4) Infrastructure improvements.
(5) New buildings or structures.
(6) Rehabilitation, renovation, or enlargement of buildings or structures.
(7) Machinery, equipment, and furnishings.

The bill does not authorize an increase in a county's CEDIT rate.

Background: Under current law, CEDIT revenue may be used for several purposes including the following:

(1) County, city, or town economic or capital development projects.
(2) Capital improvement plans.
(3) Funding for increased homestead credit due to the reduction of state and county inventory taxes.
(4) Maintenance of courthouse facilities.

There are currently 71 counties that have adopted CEDIT. Certified distributions for all adopting counties totaled $197 M in CY 2005.

Under current law, CEDIT rates may be set at 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5%.

Under current law, a county must adopt a rate increase in CEDIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (Counties do not receive any additional revenue until January of the year following the rate increase and certified distribution.)

State Agencies Affected: State Board of Accounts; Indiana Economic Development Corporation.

Local Agencies Affected: Counties that have adopted CEDIT.

Information Sources: State Budget Agency.

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